

LINKING ENERGY AND RURAL DEVELOPMENT:

Stimulating Viable Demand and Sustainable Supply Patterns in Rural Communities - The Role of Community-based Delivery Vehicles.

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1. INTRODUCTION

Despite six years of democratic government in South Africa, the level of poverty and inequality remains high, particularly in rural areas. The reduction of poverty has therefore become the central thrust of an overall strategy for growth and economic development in the country. Infrastructure delivery (including the provision of Energy) is considered to be an essential aspect of generating vibrant rural economies. However, much of the effort towards developing rural economies has been fragmented and uncoordinated, and as a result the impact has not been substantial.

The central theme of this paper is about the role of infrastructure within an integrated approach to rural development. Rural infrastructure delivery is an essential aspect of economic growth and poverty alleviation. The underlying argument however, is that a supply driven approach to delivery is not sustainable in the long term, and thus would not bring about meaningful changes in rural poverty and inequality.

A basic requirement of all stable economies is the balanced relationship between patterns of supply and demand. In the same way therefore, it is argued that the supply of rural energy has to be generated on the basis of viable patterns of demand from rural communities themselves. Thereby resulting in sustainable development outcomes in the long term.

The stimulation of viable demand and sustainable supply patterns in rural communities should therefore be a critical objective of any investment in rural infrastructure.

It is argued further that sustainable development outcomes are only possible, when the focus of development programmes is on changing the nature of rural economies from that of a dependence on public subsidies, to those which are rooted in dynamic rural enterprise. Such an approach requires that rural areas themselves be in the driving seat of defining and determining the nature and extent of the investment to be made. The role of community-based delivery vehicles in the planning, management and ownership of development processes is therefore critical.

Ultimately, the provision of rural energy should be informed by the economic demand patterns that are generated by specific rural communities themselves, and not be driven simply through targeted supply at a national level.

2. POVERTY AND INEQUALITY IN SOUTH AFRICA

Poverty and inequality in South Africa is an inherited legacy from a long period of systematic and structured human underdevelopment. As a result the country has one of the greatest income differentials in the world. While it is rated as an upper- middle income country, the majority of the people still experience conditions associated with globally defined levels poverty.

The latest available statistics indicate that 25% of the rural population exists on incomes of substantially less than \$100 per month. A further 38% of the rural population exists on incomes of less than \$150 per month. These two categories together represent 63% of the rural population. (SA Stats 2000)

On the other hand, it is estimated that the wealthiest 10% of households in the country receive more than 40% of the total disposable income in the country.

Poverty and limited economic growth are thus the key development issues that characterise South Africa's rural areas. They impact directly on the most vulnerable of the country's population viz, children, women, and the aged.

Income generation through the stimulation of rural economies is therefore the central issue in addressing these imbalances and the means through which to narrow the very wide gap between rich and poor.

3. THE INITIAL DEVELOPMENT APPROACH

The past six years of democratic government has seen the introduction of legislation , policy and programme reforms in all sectors of government. In this way the entire fiscus could be refocused on the creation of an environment that is sensitive to adjusting the substantial socio-economic imbalances in the country.

In this regard, a constitution and bill of rights that affirms the values of human dignity, equality and freedom for all people, is the cornerstone of the country's approach to development.

Arising from the constitutional mandate, South Africa's macro-economic policy, contained in the Growth, Employment and Redistribution Strategy (GEAR), establishes the framework within macro-economic sustainability is achieved.

GEAR is premised on the principle that economic growth and the creation of employment are essential for the reduction of poverty and inequality. It recognises that economic growth is necessary but not sufficient. It is the nature of growth that is important, in that it should bring about a redistribution of economic opportunities for the poor. The strategy has been particularly effective in improving the overall performance of the economy and in laying a solid foundation for enhanced investor confidence.

It is within this macro-economic framework that the national development priorities have been redefined and transformed. A Reconstruction and Development Programme (RDP) was initiated so as to create a developmental focus within which government departments could target their national spending and budget allocations. In this way the remotest rural areas of the country could be consciously included in the social and economic change process.

This context in turn informed the initiation of significant programmes for the provision of basic services in poor rural areas. However, each department approached service delivery in a fragmented and uncoordinated manner. The programme was also entirely supply driven with minimal social facilitation and direct participation of the rural communities themselves. The result was a substantial investment in social services and infrastructure facilities, for which there was no long-term management and maintenance plan.

For example, in 1995 the country committed itself to a long-term electrification strategy. It was intended that, through effective phasing, the government would provide the initial funding for the programme and that subsequent phases would be funded through revenue generated from the first phase. However the analysis of the social and economic feasibility of the programme was inadequate. The result is that many poor rural households continue to use wood fuel and use electricity supply erratically, based on their levels of affordability.

Given this experience, it is useful to briefly examine and reflect on Energy in the context of poverty and inequality in South Africa.

4. ENERGY IN THE CONTEXT OF POVERTY AND INEQUALITY

It is often argued that the future prosperity of any given community or settlement, depends on its level of access to energy. In this regard, economists often measure levels of national prosperity against increases in demand for energy.

This particular relationship between energy and prosperity is clearly the case in most developed countries. However, the connection between the two is somewhat blurred, when trying to measure key development outcomes in remote rural areas. This is evident from the many rural communities where existing energy services are simply unaffordable, and also from the resultant unsustainable energy supply.

As such, access to electricity in South Africa is skewed. At present, access to adequate levels of energy is concentrated mainly in the developed part of the SA economy, although efforts are being directed at providing universal access within a specified time-span.

At the end of 1993 over 40% of the total population (approximately 4,5 million households) around the country did not have access to electricity. By the end of 1997, ESKOM (a public utility) had connected nearly 1,15 million homes at an average rate of between 270-290,000 households per year. And yet such effort will still leave about 2,75 million households without electricity at the end of the year 2000.

Extending the grid to include these households has become increasingly prohibitive from a cost and efficiency viewpoint. While expansion of conventional, grid-based electricity still remains the dominant mechanism for increasing the access to electricity to households in South Africa, to continue in this way would be both fiscally and environmentally unsustainable.

It is clear that alternative mechanisms for energy provision need to be developed. Such alternatives will have to be informed by the economic requirements of the communities they are targeted at. However these requirements are varied and necessitate a well co-ordinated approach between the different sectors of development, if they are to be successful.

From a rural development point of view, energy (including all other forms of infrastructure delivery) has to be seen as one aspect of a broader range of development initiatives. It is only when planned and implemented in combination with other initiatives, that the real impact of energy provision in any given situation, can be effectively measured.

Thus infrastructure delivery, together with economic and social service provision in rural communities, relies heavily on a well co-ordinated and integrated strategy.

5. INTEGRATED SUSTAINABLE RURAL DEVELOPMENT

The South African Government has recognised the fact that its efforts in addressing rural poverty has been diluted as a result of the fragmented way in which various sectors of development are delivered within the same target area. If development intervention is to be sustainable, it will have to be guided by an overarching integrated framework, that targets specific spatial pockets of poverty. It will also have to respond to the specific demand generated by a given rural target group, from within a targeted area.

The government, together with a number of strategic partners, has launched an Integrated Sustainable Rural Development Strategy (ISRDS). Its purpose is to provide a framework within which all roleplayers are able to be guided in the application of their development resources.

“The vision of the ISRDS is to attain socially cohesive and stable communities with viable institutions, sustainable economies and universal access to social amenities, able to attract skilled and knowledgeable people, equipped to contribute to their own and the nation’s growth and development”.

(ISRDS Framework Document, Government of South Africa).

The strategic intent of the ISRDS is to transform rural South Africa into an economically viable and socially stable environment that makes a significant contribution to the country’s GDP. The strategy will benefit the rural poor generally, but particular efforts will be made to target marginalised groups such as women, youth, and the disabled.

The ISRDS emphasises the co-ordination of delivery inputs amongst the key development sectors of infrastructure delivery, economic development and social cohesion. In this way a systematic approach to delivery ensures that all resource providers form part of a common planning and management programme, within a specifically targeted rural area.

Rural development is thus understood to be multi-dimensional, encompassing:

- improved provision of services,

- enhanced opportunities for income generation and local economic development,
- improved physical infrastructure, social cohesion and physical security within rural communities,
- active representation in local political processes,
- and effective provision for the vulnerable.

Rural development in this context is thus much broader than poverty alleviation through social programmes and transfers. The concept places emphasis on facilitating change in rural environments to enable poor people to earn more, to invest in themselves and their communities and to contribute towards the maintenance of infrastructure key to their livelihoods.

The strategy will be sustainable to the extent that it contributes to increased local growth, that rural people care about its success, and are able to access the resources to keep it going. Thus sustainability implies effective participation to ensure that the projects and activities undertaken respond to articulated priorities at the local level.

Although initially much of the financing for the strategy may come through line departments and special programmes, sustainability over time will increasingly depend on budgets of local governments. A sustainable strategy will thus have to enhance the revenue base of local government over time. In addition, it will have to define a major role for local government in co-ordinating participatory decision-making and in mobilising available resources through local partnerships.

In the same way, social sustainability is an important dimension of a successful strategy. Rural communities hold a wealth of social capital in the form of extended networks of mutual solidarity, shared beliefs and traditions, and commitments to retain long-standing practices of daily life. Development projects when defined through sound participatory processes, can reinforce and sustain social capital.

Conversely, incremental resources brought into rural communities can be divisive and destructive if various groups compete for access through a process that is not generally accepted and understood. The degree of social cohesion within villages should not be idealised. Rural society is not homogeneous, and widespread poverty creates tensions. Growth necessarily brings change, and change can cause conflict.

The strategy therefore emphasises the need for local communities to own and control the process whereby development initiatives and public sector investment are prioritised. While the top-down supply of infrastructure and social services is spatially targeted at specific rural areas, the nature and type of facilities are determined through viable, bottom- up demand. Locally driven initiatives are therefore informed and guided by the specific social and economic priorities set by local role-players themselves.

Such demand no doubt has to be informed by the requirements of each specific rural economy, in this way creating the point of integration for the supply and delivery of national development initiatives.

It is therefore important to understand the nature of rural economic development and the pivotal role it plays within an integrated sustainable rural development strategy (ISRDS).

6. INTEGRATING RURAL ECONOMIC DEVELOPMENT

There is a definite need to resuscitate rural economies and improve the capability of rural areas as potential engines of economic growth that would contribute towards their own development and that of a broader national and regional development agenda. Thus, a strategy to achieve growth must be based on an understanding of how rural areas grow. Although the specific processes vary over time and space, the general dynamics are understood in terms of sources of growth and linkages that spread and multiply as a result of an initial catalyst.

Growth in agriculture, tourism, forestry, and other primary activities that bring incremental earnings into rural areas, generates additional incomes through linkage in expenditure and employment. For example, agricultural growth generates demand for inputs and the retailing activities associated with delivery (transport, financial services, advisory services).

Linkages with the local economy tend to be higher for small farms than for large farms, in part because they are more labour intensive in their direct operations, and in part because they are likely to purchase labour intensive goods and services (such as outlays for transport, construction from local materials, etc.).

Rural communities will in turn articulate increased demand for roads, bridges or energy, which in turn will lead to a round of private investment in vehicles and increased demand for repair services.

Agriculture need not be the only source of growth, and in many areas it will not be the most important. Natural resources will always be an important determining factor in rural development, as these may be the only resources that some rural areas are endowed with for example, tourist sites, water, mineral deposits and others. Where beneficiation of these resources makes economic sense, it will contribute to growth. Any good or service that can be sold outside the community or substitute for something bought from outside will generate a net increment in earnings that can be multiplied.

In this way, a sound foundation is laid on which to build the local entrepreneurial capacity of any given target area. It is this entrepreneurial capacity that will create the demand for infrastructure investment, and in turn motivate and determine the types of institutional capacity required to deliver such investment.

7. CREATING VIABLE DEMAND THROUGH LOCAL DELIVERY CAPACITY

An important component of generating a dynamic rural economy, is the provision of basic infrastructure, such as Energy. Infrastructure often acts as the catalyst for local economic development. A vibrant entrepreneurial base in turn, generates the demand for further investment in infrastructure and establishes the core activities that are able to sustain and maintain the particular service.

The delivery of infrastructure through community delivery systems thus becomes an essential part of unleashing local potential to increase entrepreneurial productivity.

South Africa has a long history and extensive experience in rural development, that existed way before the current democratically elected government's development programmes. This experience and delivery capability however existed within organs of civil society and NGOs, and not government.

Development occurred on the basis of establishing local delivery vehicles in partnership with resource providers from the private sector and the international donor community.

As such the point of integration and co-ordination of development inputs was structured at local level. Projects were therefore packaged in such a way that they were aligned with the developmental goals and targets of the development support agents.

These delivery vehicles were characterised by a people-centred community-driven approach to development and there is thus a substantial local delivery capacity on which to build.

The ISRDS, in establishing a framework for the spatial targeting of rural development resources, will therefore build on the delivery experiences of local communities.

Community-based delivery vehicles that are structured as partnerships between local government, NGOs and community representatives, will form the core of the institutional capacity required to package and integrate development inputs.

In this way, the identification and facilitation of local economic development initiatives and the provision of social services, will determine the demand for appropriate infrastructure delivery, including Energy.

8. CONCLUSION

Delivering sustainable development outcomes in the wake of national investments in rural infrastructure, can be achieved. What is needed is a co-ordinated and integrated approach to the targeting and delivery of such infrastructure.

Thus the provision of rural energy, more specifically, can only be supplied on a sustainable basis when the appropriate institutional capacity is established for generating viable demand.

In this way, rural energy can serve as a useful catalyst for integrated rural development, in that effective local partnerships are established. These partnerships become the mechanisms through which ownership, maintenance and management of the service is put place.

Ultimately, they become the delivery vehicles through which the economic and social development initiatives are packaged, co-ordinated and implemented. This

then results in a sustainable system through which specific rural areas are able to determine their own long-term prosperity.